

CAs Crucial for Corporate Governance

In the backdrop of tough competition and the ‘Liberalisation–Privatisation–Globalisation’ wave sweeping through countries and continents, the Indian government and more and more corporates are realising that a growth without a social face cannot be sustained for long. They are increasingly heeding the concepts like ‘inclusive growth’, ‘Responsible Business Enterprise’, and to cap it all—Good Corporate Governance practices. As such, they are successfully intertwining their Corporate Governance practices and Social Responsibility with their business strategies to the benefit of all. Particularly, the relevance of corporate governance has attained all the more significance in the wake of the global financial crisis and recent corporate failures.

Good Corporate Governance practices are *sine qua non* for sustainable business that aims at generating long term value to all its share holders and other stake holders. Good governance, besides ensuring corporate regulatory compliance and enhancing financial performance, also increases investment opportunities and creates a conducive background of partnership between the business and the society. The great Chanakya says in Arthashastra: “*Citizens never support a weak company and birds do not build nests on a tree that does not bear fruits.*”

It is satisfying to note that the Government is very much alive to the cause of corporate governance in the country. Recently, the Companies Act 2013 has been a major leap forward for the corporate governance mechanism in India. In the Act, some of the significant provisions with regard to corporate governance aspects include that ‘in prescribed class or classes of companies, there should be at least 1 woman director. The definition of Independent Directors alongwith the Code for Independent Directors has also been introduced besides the introduction of the Concept of CSR under which the Board is to have a CSR Committee which shall recommend the policy for CSR, consisting of three or more directors, out of which at least one director shall be an independent director. The Board will also ensure that at least 2% of average net profits during three immediately preceding years is spent every year on CSR. Further, now certain class of companies are required to appoint an internal auditor to conduct internal audit of the functions and activities of the company. Other related provisions provide for maintenance and allowing inspection of documents by companies in an electronic form while ‘vigil mechanism’ (whistle blowing) too has been introduced.

We all would agree that when it comes to corporate governance it is ultimately substance over *modus operandi*. The Ministry of Corporate Affairs had earlier in 2009 issued Corporate Governance Voluntary Guidelines to ensure best Corporate Governance

practices by corporates in India. Also Clause 49 of the SEBI listing agreement intends to protect the interest of the stakeholders through good corporate governance practices and disclosures.

In this background, the Chartered Accountants in India, having intrinsic virtues of Excellence, Independence and Integrity, have a prominent position and key role to play in the realm of corporate governance. The First President of India Dr. Rajendra Prasad while speaking at the inauguration of ICAI headquarters in 1954 had said: “*The fast increasing tempo of the industrial & economic development of the country makes it imperative that every Chartered Accountant should realise that he belongs to a profession which provides the first line of defence to the unwary public against money grabbers & opportunists. Your responsibility in this matter becomes all the greater because of the autonomy which your profession enjoys*”. These words, which hold relevance even to this day, place a unique responsibility on all Chartered Accountants working in the corporate sector.

Greater transparency and better internal control are considered to be the key aspects of Corporate governance. Here the role of Chartered Accountants assumes added significance as transparency is very important in financial disclosures and other information to the stakeholders. The Annual Accounts and Audit is one of the essential foundations of good governance. True and fair financial reporting helps investors in making an informed decision for making investment.

The CAs have also a fast emerging role in Sustainability Reporting, which is an all encompassing paradigm in the way the Corporate Social Responsibility is going to shape and assume.

ICAI’s Members in Industry are working— in commerce, industry, financial services, education, and the public and not-for-profit sectors— as leaders and strategic partners in building long-term sustainable organisational success. They play a variety of important roles, including as creators, enablers, preservers, and reporters of sustainable value for their organisations. They play critical roles in generating sustainable economic growth and stability by contributing to strategy support, planning, decision support and control, adding value to organisations and to the information they issue. Within these roles, Chartered Accountants are increasingly expected to perform as integrators, bringing together environmental, social, and economic performance and various business functions and processes; and as navigators, supporting the needs of governing bodies and management.

-Editorial Board

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